

Message Text

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C O N F I D E N T I A L STATE 063156

FOR JURICH

REF: STATE 47115

FOL REPEAT MEXICO 2321 SENT ACTION SECSTATE INFO BOGOTA

GENEVA PORT AU PRINCE SAN JOSE SAN SALVADOR BRASILIA

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C O N F I D E N T I A L MEXICO 2321

E.O. 11652: GDS

TAGS: ETRD, MX

SUBJECT: PRIVATE SECTOR CRITICAL ON SOME ASPECTS OF NEW

ALL-FIBER TEXTILE BILATERAL

REF: STATE 47115

1. REACTION OF PRIVATE SECTOR TO MEMORANDUM OF UNDERSTANDING
ON NEW ALL-FIBER BILATERAL IS IN SHARP CONTRAST TO THAT OF
GOM OFFICIALS WHO PARTICIPATED IN NEGOTIATIONS (SEE MEXICO
2106).

2. CESAR FRANCO, GENERAL MANAGER OF NATIONAL TEXTILE INDUSTRY
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CHAMBER, TOLD EMBASSY THAT MEXICAN TEXTILE MANUFACTURERS

WERE CONCERNED OVER "EXCEEDINGLY LOW" CONSULTATIVE LEVELS FOR SECOND AND THIRD YEARS OF AGREEMENT. CHAMBER DOES NOT ENVISAGE ANY SERIOUS PROBLEMS IN FIRST YEAR OF AGREEMENT LARGELY DUE TO ECONOMIC RECESSION IN US. SHOULD US ECONOMY REVIVE TO NORMAL LEVELS IN 1976 AND 1977, CHAMBER BELIEVES CONSULTATIVE LEVELS WILL PROVE INSUFFICIENT TO ALLOW MEXICO TO REALIZE ITS FULL SALES POTENTIAL IN US. ACCORDING TO FRANCO, WAGE SCALE FOR MEXICAN TEXTILE WORKERS IS ELEVENTH HIGHEST IN WORLD AND TOTAL MEXICAN TEXTILE EXPORTS TO US ARE RELATIVELY SMALL WHEN COMPARED WITH EXPORTS FROM ASIAN COUNTRIES. HE ARGUES, THEREFORE, THAT MEXICAN EXPORTS CONSTITUTE NEITHER UNFAIR COMPETITION NOR ARE THEY DISRUPTIVE.

3. WHILE NATIONAL INDUSTRY IS EXPORTING ALMOST NO SYNTHETIC FIBER APPAREL TO US AT PRESENT BECAUSE OF NON-COMPETITIVE PRICES, CHAMBER BELIEVES THAT FORMULA MAY BE FOUND WITHIN NEXT THREE YEARS WHICH WOULD ENABLE LOCAL MANUFACTURERS TO PRODUCE APPAREL IN LARGE QUANTITIES FOR US MARKET, PERHAPS USING IMPORTED FIBERS. GROUP III SYNTHETIC FIBER CONSULTATIVE LEVELS ARE BARELY SUFFICIENT TO ACCOMMODATE CURRENT REEXPORTS OF IN-BOND ASSEMBLY PLANTS OPERATING UNDER 807 OF USTS. THEREFORE, CHAMBER SEES REAL BATTLE AHEAD IF MEXICAN INDUSTRY BEGINS EXPORTING APPAREL SIMILAR TO THAT BEING MANUFACTURED BY 807 PLANTS.

4. PRIVATE SECTOR HAS HELD CONFIDENTIAL MEETING WITH UNDER SECRETARY OF INDUSTRY GUILLERMO BECKER TO BRING THEIR DISPLEASURE OVER TERMS OF NEW DRAFT AGREEMENT TO HIS ATTENTION. BECKER ASKED PRIVATE SECTOR REPRESENTATIVES NOT TO MAKE THEIR UNHAPPINESS PUBLIC AND TO AVOID MAKING STATEMENTS TO THE MEDIA. IN A PERSONAL APPEAL, HE SAID HE HAD INITIALED THE MEMORANDUM OF UNDERSTANDING FOR MEXICO AND THAT TO ATTACK THE DOCUMENT WOULD ONLY SERVE TO UNDERMINE HIM POLITICALLY. PRIVATE SECTOR AGREED RELUCTANTLY TO KEEP THEIR CRITICISM FROM GENERAL PUBLIC. FOR HIS PART, BECKER PLEDGED HIMSELF TO NEGOTIATE STRENUOUSLY WITH USG FOR HIGHER CONSULTATIVE LEVELS FOR SECOND AND THIRD YEARS.

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5. WHEN ASKED WHY RAMOS URIARTE AND UNOFFICIAL PRIVATE SECTOR "ADVISORS" IN WASHINGTON AT TIME OF NEGOTIATIONS FAILED TO EXPRESS OPPOSITION, FRANCO REMARKED THAT THEY WERE ONLY INTERESTED IN COTTON SECTOR AND DID NOT CARE IF OTHER SECTORS, SUCH AS WOOL AND SYNTHETICS, WERE PREJUDICED. HE ADDED THAT RAMOS URIARTE'S PERFORMANCE IN WASHINGTON IS HAVING NEGATIVE REPERCUSSIONS FOR HIM IN MEXICO WITHIN TEXTILE INDUSTRY.

6. TOP MANAGEMENT FROM PARENT FIRMS AND IN-BOND BORDER PLANTS ARE IN MEXICO CITY TO FIGHT FOR REVISION OF MEMORANDUM OF UNDERSTANDING. GROUP IS LED BY BERNARD KORMAN OF ACAPULCO FASHIONS (FIGURE FLATTERY, DIVISION OF FRUIT OF THE LOOM), HUGH PEDERSEN OF JUARMEX, HIGH TIDE, WHITE STAG AND PURITANA (WARNER'S DIVISION OF WARNACO), AND HOWARD SMITH OF CAMISAS (OAK HILL MFG., DIVISION OF ZENITH SHIRT). THEY ARE BEING ASSISTED BY HOST OF EXPENSIVE CORPORATE ATTORNEYS, LED BY MICHAEL P. DANIELS (DANIELS AND HOULIHAN, WASHINGTON, D.C.) AND LUIS AMESCUA (AMESCUA ASSOCIATES, MEXICO CITY). THEY HAVE SCHEDULED MEETINGS TODAY AND TOMORROW WITH BECKER AND SIC TEXTILE DIVISION HEAD ARTURO GALINDO. IT IS INTENTION OF THE IN-BOND INDUSTRY GROUP TO CALL ON GOM TO RENEG ON MEMORANDUM OF UNDERSTANDING AND REQUEST RENEWED NEGOTIATIONS.

7. 807 GROUP ARGUES THAT NEW BILATERAL WOULD LIMIT IN-BOND INDUSTRY TO LESS THAN 10 PERCENT GROWTH RATE OVER BASE YEAR. THEY BELIEVE THAT THIS LIMITATION IS UNFAIR BECAUSE IN SOME CATEGORIES, SUCH AS 219, 223, AND 225, INDUSTRY HAS BEEN GROWING AT RATE OF ABOUT 100 PER YEAR AND CAN EASILY CONTINUE TO DO SO WERE IT NOT FOR NEW QUOTAS. SEVERAL IMPORTANT FIRMS HAVE RECENTLY MADE MAJOR INVESTMENTS IN NEW EQUIPMENT FOR USE BOTH IN MEXICO AND IN THEIR US TWIN PLANTS. MANY OF MORE RECENTLY ESTABLISHED PLANTS ARE IN PROCESS OF HIRING AND TRAINING LARGE NUMBERS OF NEW WORKERS. US COMPANIES OPERATING ON MEXICAN BORDER FEEL THAT THE NEW BILATERAL LIMITING SYNTHETIC FIBER APPAREL WILL SEVERELY HAMPER THEIR OPERATIONS AND FORCE MANY OUT OF BUSINESS. THEY POINT OUT THAT US COMPONENT IN 807 APPAREL REEXPORTS FROM MEXICO IS 70 PERCENT ON THE AVERAGE, AND CONTRAST THIS WITH ASIAN APPAREL EXPORTED TO US MARKET WHICH

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HAS NO US INPUT. BY RESTRICTING GROWTH OF US-OWNED IN-BOND INDUSTRIES IN MEXICO, THEY ARGUE, USG IS IN FACT HURTING AMERICAN INDUSTRY. IN-BOND GROUP WAS PARTICULARLY ANNOYED AT FACT THEY WERE NOT CONSULTED BY GOM PRIOR OR DURING NEGOTIATIONS.

8. IF THEY CANNOT GET GOM TO CALL FOR RENEGOTIATION, AS FALL BACK POSITION, THEY WILL ASK SIC TO DENY APPLICATIONS OF ANY NEW APPAREL COMPANIES WHICH ATTEMPT TO REGISTER UNDER IN-BOND INDUSTRIALIZATION PROGRAM IN ORDER THAT FULL QUOTA FOR SYNTHETIC FIBER APPAREL BE ALLOTTED TO "MAQUILADORAS" ALREADY IN OPERATION.

9. COMPANIES INDICATED THAT MEXICAN TREASURY (ABEL GARRIDO'S NAME WAS NOT SPECIFICALLY MENTIONED) FULLY SHARES

THEIR POSITION AND WOULD SUPPORT THEIR APPEAL TO BECKER TO RENEGOTIATE. ACAPULCO FASHIONS REMARKED THAT MEXICO SHOULD HAVE FOLLOWED EXAMPLE OF "ALL OTHER COUNTRIES IN LATIN AMERICA" AND SHOULD JOIN BLOC AGAINST REACHING AGREEMENT WITH USG ON BILATERALS. MOREOVER, ACCORDING TO UNIDENTIFIED SOURCE, GOM DELEGATION HAD ONLY INITIALLED MEMORANDUM UNDER "PRESSURE AND THREATS" FROM US TEAM. EMBASSY REPLIED THAT THIS WAS SIMPLY UNTRUE AND THAT TALKS WERE DISTINGUISHED BY THEIR CORDIAL ATMOSPHERE. EMBASSY ALSO OBSERVED THAT MEXICAN PARTICIPATION IN LATIN AMERICAN BLOC OR REQUEST AT THIS TIME TO REOPEN NEGOTIATIONS WOULD ONLY PROVE COUNTER-PRODUCTIVE TO MEXICO'S OWN BEST INTERESTS.

10. TAKING INTO ACCOUNT BECKER'S STANCE WITH MEXICAN DOMESTIC INDUSTRY AND FACT THAT MOST IN-BOND PLANTS ARE FULLY OWNED BY FOREIGN, I.E., US, CAPITAL, IT IS HIGHLY LIKELY THAT HE WILL RESIST PRESSURE FROM 807 GROUP TO REOPEN NEGOTIATIONS. IT CAN BE EXPECTED, HOWEVER, THAT GOM WILL PRESS FOR MORE GENEROUS CONSULTATIVE LEVELS IN SECOND AND THIRD YEARS OF BILATERAL.

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